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The Evolution of Environmental Stewardship Continues

Alberta Recycling Management Authority

2006-2007 Annual Report





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Corporate Governance

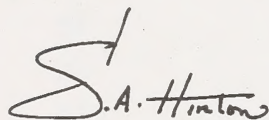
Letter to the Minister

Honourable Rob Renner
Minister of Environment
Government of Alberta
423 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Minister:

On behalf of the Board of Directors of the Alberta Recycling Management Authority (Alberta Recycling), I am pleased to present our Annual Report for the fiscal year April 1, 2006 to March 31, 2007. This is in accordance with Section 16 of the Designated Material Recycling and Management Regulation (AR 93/04).

Sincerely,

A handwritten signature in black ink, appearing to read "S.A. Hinton". The signature is stylized with a large, looped initial "S" and a cursive "A" followed by "Hinton".

Sid Hinton
Chair
Alberta Recycling Management Authority

Message from the Chairman and CEO

This was our second year operating as a single integrated organization managing two separate provincial environmental stewardship programs – tires and electronics. We believe that it can be said conclusively that Alberta's version of "multi-material stewardship" is a success, witness the following:

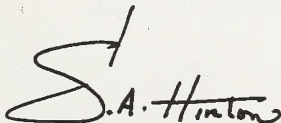
- Canada's first electronics program is up and running effectively, providing a template for other provincial programs, and moving into the next phase of improvement. Over 500,000 units have been recycled through 200 municipal collection sites.
- Fifteen years ago the tire recycling program set the standard for environmental stewardship programs across Canada and beyond, and continues to lead through improvements, with over 40 million tires recycled and 231 municipal projects using recycled product to bring the benefits of tire recycling directly back to Alberta communities.
- Our organization continues to improve our stewardship governance and accountability, so that both programs continue to benefit from the cross-pollination of our experience, expertise and operations.

Put simply, the reason for this success is that our organization has stayed focused on the fundamental purpose of our stewardship programs - to achieve environmental outcomes, being the recycling of tires and electronics. This is achieved through the effective use of the environmental fees paid on new electronics and tires. There can be a tendency to make the money the focus – find the cheapest solution, which can mean a lesser environmental outcome. The best answer is often not the cheapest but rather the best environmental outcomes attainable for a reasonable cost. This is our focus and our recipe for success.

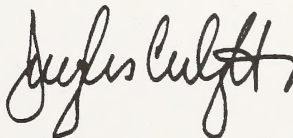
Our organization believes there are two other elements necessary for success in the arena of environmental stewardship: transparency and accountability. We consider these our lifeblood and strive to make them an intrinsic part of how we do business. The reason is we are managing someone else's money, to achieve a mandate delegated through legislation and therefore accountable through the Government to all Albertans. We had better be transparent and accountable – and we are.

With the transition and growth in our mandate and organization, we needed to ensure that we were doing our business properly. Working with our environmental stewardship colleagues – the Alberta Used Oil Management Association, the Beverage Container Management Board - and with Alberta Environment, the Board and management undertook a review of our governance procedures, practices and performance. The review both validated existing practices and identified valuable changes that have been incorporated into the organization. In this way we can ensure our organization continues to deliver on our mandate of environmental stewardship with transparency and accountability.

Good environmental stewardship is built on a foundation of results, transparency and accountability. We believe our programs and organization deliver on all of these, but we constantly strive to do it better. With the support of Albertans, the cooperation of our key stakeholders, and the dedication of our Directors and staff, we will ensure that the evolution of multi-material stewardship continues.



Sid Hinton
Chair



Doug Wright
CEO

Legislative Mandate and Accountability

The Alberta Recycling Management Authority (Alberta Recycling) is a not-for-profit association responsible for managing Alberta's tire and electronics recycling programs. Incorporated under the Societies' Act, Alberta Recycling operates as a Delegated Administrative Organization and reports to the Minister of Environment.

The Designated Material Recycling and Management Regulation authorizes Alberta Recycling to levy and collect environmental fees on the purchase of new, eligible electronics and new passenger car and truck tires in Alberta. The Regulation requires that the fees be used exclusively in regard to the designated material to provide or pay for any or all of the following:

- Waste minimization and recycling programs;
- Education programs for the purpose of minimization and recycling programs;
- Expenditures on the collection, transportation, storage, processing and disposal of designated materials;
- Research and development activities related to designated materials management;
- Promotion of the uses of recycled materials and products.

Alberta Recycling's programs are designed having regard to the following funding principles:

- **Achieving Environmental Outcomes**
The fundamental purpose of the programs is to achieve environmental outcomes – the proper management and recycling of tires and electronics. The fees provide the means to achieve this goal, by encouraging the development of sustainable recycling solutions for Alberta's designated materials.
- **Pay for Results Funding**
To ensure that the solutions are cost-effective, the funding to recyclers is performance based, with payments determined by the actual amount of material successfully recycled and supplied to an arms-length third party.
- **Value-added Recycling**
To ensure that the solutions are sustainable, the programs support value-added recycling so that new technologies, new products and new markets are developed, transforming waste materials into the highest value use possible.

Alberta Recycling is accountable to the Minister through its three-year business plan, annual budget, annual report and Memorandum of Understanding with the Minister. Alberta Recycling's strategic business plan continues to align directly to the mission, core businesses and waste minimization goals of Alberta Environment and the Government of Alberta. In addition to its legislative mandate, Alberta Recycling must also ensure it meets its obligations under the *Societies' Act*, including reporting to its membership at its Annual General Meeting.

Membership and Board of Directors

Alberta Recycling is comprised of seven member organizations representing stakeholder interests. Each member organization appoints a Director to the Alberta Recycling Board of Directors. The member organizations and the Board of Directors for 2006-2007 include:

- **Alberta Association of Municipal Districts and Counties (AAMD&C)**
Director – Eugene Wauters to December 2006
Bob Barss, current
- **Alberta Environment**
Director – Bev Yee
- **Alberta Urban Municipalities Association (AUMA)**
Director – Darren Aldous
- **Association of Professional Engineers, Geologists & Geophysicists of Alberta (APEGGA)**
Director – Al Schulz
- **Environmental Services Association of Alberta (ESSA)**
Director – Merv Domanko to October 2006; David Kerr current
- **Recycling Council of Alberta (RCA)**
Director – Al Tinholt
- **Toxics Watch Society of Alberta**
Director – Myles Kitagawa

Two additional Directors are appointed by the Minister to represent the public and industry at large.

- **Public at Large**
Chair – Sid Hinton
- **Industry at Large**
Sean McCullough, The Brick (on behalf of the Retail Council of Canada) to January 2007
Cedric Tetzel, London Drugs, current

The Chairs of the Industry Councils for each designated materials program are also Directors of the Board.

- **Electronics Recycling Alberta Industry Council Chair**
Director – Grant Pisko
- **Tire Recycling Alberta Industry Council Chair**
Director – Dennis Irving

Standing Committees of the Board

There are three standing committees of the Alberta Recycling Board of Directors:

Executive Committee

The Executive Committee oversees the implementation of budgets, directs major expenditures and related information during the budget year. This committee is also tasked with the oversight of Alberta Recycling's Investment Charter and Investment Management Policy. The Executive Committee brings forward and recommends the annual budget to the Board of Directors.

Audit Committee

The Audit Committee oversees the preparation of the annual financial statements by administration and the annual audit by the auditor. In addition, this committee recommends an auditor for approval by Alberta Recycling's members. The Audit Committee also oversees management's review of procedures to manage the organization's risk.

Assessment Committee

The Assessment Committee conducts assessment hearings to assess the amount of unpaid Surcharges to be remitted by suppliers of designated materials. This committee also oversees revenue compliance and collection procedures.

In January 2007, the Board completed a governance review that included changes to its committee structure. Consistent with current corporate governance practices, the responsibilities of the Executive Committee were assigned to the Governance & Accountability Committee and the Audit & Investment Committee:

Governance & Accountability Committee

- Strategic planning, including oversight of the Business Plan and Budget.
- Oversees management's actions on organizational objectives, strategic planning, annual calendar and emerging issues to ensure consistency with Board policy.
- Oversees the implementation of an effective corporate governance regime, including Director, Committee and Industry Council evaluation and selection guidelines, CEO evaluation and succession planning.

Audit & Investment Committee

- Oversees the preparation of the annual financial statements by administration, including the actions and judgments by management relating to the statements, the annual audit of the annual statements by the auditor, and recommends the annual audited financial statements to the Board.
- Oversees the effectiveness of accounting procedures and internal controls.
- Serves as the Investment Management Committee as prescribed in the Statement of Investment Policy and Fund Investment Management Charters.

Industry Councils

Alberta Recycling's Board of Directors appoints members to the respective Industry Councils of Tire Recycling Alberta and Electronics Recycling Alberta. The Industry Councils act in an advisory capacity, providing industry insight, advice, guidance and recommendations to the Board of Directors on key aspects of each program. The involvement of the Industry Councils allows for the proactive and direct involvement of key stakeholders in the development of environmentally sound and effective approaches to managing the designated materials.

Electronics Recycling Alberta Industry Council members include:

- Grant Pisko (Chair), **Industry at Large**
- Frances Edmonds, **Hewlett Packard**
- Christine Della Costa, **Alberta Environment**
- Christa Copeland, **Best Buy/Future Shop**
- Sean McCullough, **The Brick**, as of January 2007
- Nick Aubry, **Sony**
- Mike Saley, **The City of Calgary**

Tire Recycling Alberta Industry Council members include:

- Dennis Irving (Chair), **Western Canada Tire Dealers Association**
- Dwight Brown, **Motor Dealers Association of Alberta**
- Patrick Kane, **Alberta Environment** to June 2006; Jody Tomchyshyn, current
- Rob Smith, **Athabasca Regional Waste Management Services Commission**, as of March 2007

Vision, Mission & Goals

Alberta Recycling uses a three-year rolling Business Plan to fulfill its legislative mandate to collect the advanced disposal surcharges and use the revenues to manage designated materials and enhance their recycling in Alberta.

Vision

A sustainable Alberta recycling solution for designated materials that is a model of excellence, environmentally and socially responsible and economically viable.

Mission

To carry out its delegated mandate in respect of each designated material:

- a. By being fully accountable to the Minister of Environment, the Government of Alberta, Alberta Recycling members, industry and Albertans;
- b. By ensuring its programs meet Provincial requirements for environmental, health and safety standards;
- c. By openly communicating Alberta Recycling policies, strategies and results;
- d. By funding education programs for the purpose of waste minimization and recycling;
- e. By funding research and development activities related to recycling or management of the designated materials.
- f. By ensuring that the organization operates as a model of environmental excellence (added with the development of the 2006/07 to 2007/08 Business Plan).

Goals

Within its business plan, Alberta Recycling has identified key goals and corresponding performance measures in the following three areas:

Alberta Recycling Management Authority Corporate Goals

- A 1** All Advanced Disposal Surcharges (Surcharges) for eligible electronics are remitted.
- A 2** All Advanced Disposal Surcharges (Surcharges) for eligible tires are remitted.
- A 3** Alberta Recycling provides effective governance and management of the funds delegated to it, and is fully accountable for these funds it manages and for the operations of the organization.

Electronics Recycling Goals

- E 1** Enable effective waste minimization and recycling solutions for all eligible electronics discarded by Albertans.
- E 2** Eligible electronics are recycled in an environmentally and socially responsible manner.
- E 3** Program funding rates, and the resulting Surcharge rates, are appropriate for a sustainable recycling solution for Alberta's eligible waste electronics.
- E 4** Albertans are aware of and support electronics recycling.
- E 5** The list of eligible electronics is reviewed at least annually, consistent with the Regulation, to determine if additional products should be recommended to be eligible under the program.

Tire Recycling Goals

- T 1** Enable effective waste minimization recycling and solutions for all eligible scrap tires discarded by Albertans.
- T 2** Scrap tires are recycled in an environmentally and socially responsible manner.
- T 3** Program funding rates, and the resulting Surcharge rates, are appropriate for a sustainable recycling solution for Alberta's eligible scrap tires.
- T 4** Albertans are aware of and support tire recycling.
- T 5** Alberta communities benefit from tire recycling.

The Organization at a Glance

Alberta Recycling Management Authority



Management Discussion & Analysis

The Organization

Introduction

With the electronics and tire recycling programs in full operation and the transition to a multi-material stewardship organization complete, 2006/07 was a year of further consolidation and refinement of our operations. The Board governance review has had, and will continue to have, a substantial and positive impact on how we do our business. The process has validated our good practices, has led us to formalize many things that we were doing well but that we had not fully documented or systematized and brought to us that which we had not yet been doing.

The governance review has improved significantly how we prepare for and serve the Board and its Committees and Industry Councils, and their oversight of our management responsibilities.

The restructuring of our operations into the two program areas has been completed: collecting the environmental fees and funding environmental outcomes. We completed the process of hiring on permanent staff to replace the last of the out-sourced administration resources. This will ensure that resources are fully dedicated to program administration and at a substantially reduced cost. At the same time, we did a complete review of our human resources policies, position descriptions and performance evaluation process.

The authority to collect and manage the environmental fees is delegated by regulation to Alberta Recycling by the Government of Alberta. We consider this a "public trust" and the accountability for that trust is a priority of the organization. We endeavor to set the policies, programs and procedures for our operations in a manner that is open, effective and equitable. We report fully on the results of our programs, including fee revenues and program funding to ensure the following:

- That the program funding is being paid out properly and all program requirements are met.
- That the environmental fees are at the proper level and structured effectively to achieve the desired results.
- That progress is measured achieved, and areas for improvement identified and acted upon.
- To provide the transparent reporting that is essential for accountability.

Finally, while we strive to maximize the benefits of multi-material administration and expertise, there is no co-mingling of the fees or allocation of funds between programs. The fees for electronics and tires are held and administered separately. This same method applies to the funding for the Household Hazardous Waste (HHW) grant received from and administered on behalf of Alberta Environment.

Collection of Environmental Fees

A core principle of Alberta's environmental stewardship programs is that the environmental fees are paid by the companies which supply the products in Alberta and their Alberta customers. In this way the cost and responsibility for proper management of a product at the end of its useful life is incorporated into the sale of the product. By tying recycling costs to the sale of a product, producers and consumers not only become responsible for these costs but are motivated to reduce them and make the recycling process as effective and efficient as possible.

Critical to this principle is the achievement of revenue completeness – all environmental fees owing are paid. This is crucial for two primary reasons:

- To ensure the program is adequately and properly funded;
- To ensure the fee is applied fairly to all sales of the product, which then ensures that the businesses who remit the fee, and their customers, face a "level playing field", so that companies know their competition does not have a price advantage by improperly not charging the fee to their customers.

The system to collect the environmental fee for both tires and electronics involves the identification, registration and ongoing administration of hundreds of companies in Alberta. We are constantly striving to balance the need to ensure compliance by all supplying companies, with the need to minimize the cost to these companies for remitting the fees.

We are continuing to reduce this administrative burden by, for example:

- Eliminating the monthly paperwork for hundreds of small Alberta businesses by having their suppliers remit on their behalf.
- Introducing a process where businesses can remit through their local bank.
- Developing a secure process for businesses to do the paperwork "on line" on our website.
- Simplification of the actual forms that businesses must use to remit the fee.

These ongoing improvements in administrative effectiveness are an example of the synergies of "multi-material stewardship". While the fees and funding are managed separately, the policies and procedures are consistent among programs. The sharing of experience and expertise, and the lessons of commonalities and differences has already paid off for both the electronics and tires programs, as well as for the administration of the HHW program.

Recycling Programs

Funding Recycling Solutions

We fund recycling solutions through two types of programs:

- **Recycling Incentive Programs**

The main funding programs for recycling are the Waste Electronic Recycling Incentive Program and the Scrap Tire Recycling Incentive Program. Under these programs, most of the environmental fees are used to fund the very large volumes of tires and electronics that are processed by Alberta recyclers. These programs are designed on a "pay for results" principle in which recyclers earn performance incentives based on the amount of designated materials successfully collected and recycled in an environmentally acceptable manner, as opposed to "up front" grants or loans.

- **Recycling Development Programs**

In addition, to improve the sustainability of the recycling solutions, there is need to help find better ways to recycle tires and electronics. To this end, the Recycling Development Program provides funding for research into improved technologies, product promotion and market development, and public awareness. Funding is also provided to Alberta municipalities so that their citizens can directly experience the benefits of recycling.

Environmental Assurance

Alberta Recycling has developed a comprehensive Environmental Assurance Process to ensure that the activities funded under the programs comply with all applicable environmental, health and safety regulations and related requirements.

Initiated in early 2005 with the electronics program, this process includes audits, reviews and assessment processes that are undertaken annually to evaluate and help ensure processors are in full operational compliance. The process also specifies how downstream processors (companies that processors ship material to for further recycling) must operate in an environmentally acceptable manner, including in export markets. The process also monitors that proper standards are met by collection sites and transporters.

Similar processes were implemented for tire recycling and HHW in 2006/07.

Electronics Recycling Program

Specific information on our progress on the electronics goals and performance measures for fiscal 2006/07 is reported in the Goals section. Following are comments on selected highlights.

Achieving Environmental Outcomes – A Major Challenge

By the end of the second full operating year, over 500,000 TVs and computers had been discarded by Albertans into over 200 municipal collection sites throughout the province, and collected and processed by the four qualified processors under the Incentive Program.

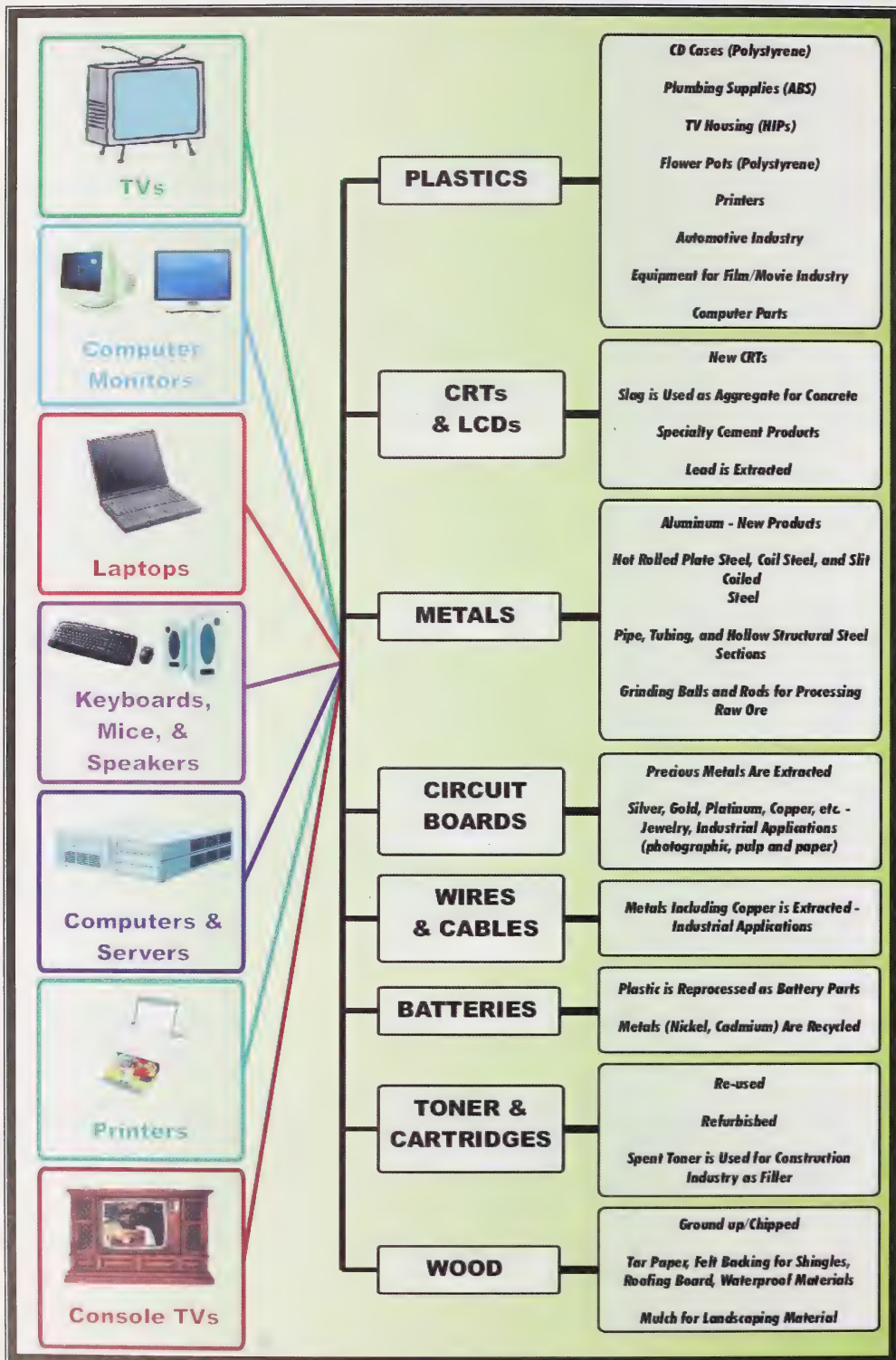
The component materials – over 12,000 tonnes of leaded and unleaded glass, plastics, ferrous and non-ferrous metals – were shipped for further processing into commodities to be recycled into new products and materials (please see schematic on following page). In the process, potentially hazardous materials were safely diverted from landfills (245 tonnes of lead, plus smaller amounts of mercury, cadmium, beryllium, antimony), valuable landfill space was saved and the valuable component materials were recycled.

However, results were substantially less than the performance target because the amount of old electronics discarded into the program by Albertans and Alberta corporations and institutions was far below projections. For the second year of the program, the target was based on a 50% “recovery rate” [50% of estimated total sales] while the actual recovery rate was in the order of 20%, a small improvement over the first year. This was exacerbated by the delay in processing of a stockpile of 4,000 tonnes of e-waste in Edmonton. Processing of this e-waste will commence in late 2007.

Clearly, a major strategy is necessary to achieve the environmental outcome of diverting and recycling a much larger proportion of the electronics sold. A major barrier is that Albertans hang on to their old electronics in large part because it is difficult to dig them out of basements and garages, and then it may be inconvenient to drive some distance to a collection site. Simple as it may sound, the key to greater recycling volumes lies in helping make it more convenient for Albertans to make the effort to recycle them.

We will continue to strive to increase recovery rates, and are undertaking the following to achieve an increase in collection and processing volumes:

- a. A face-to-face review was done with all municipal collection sites to assess collection issues.
- b. Funding for “roundups” in all interested municipalities begins in Spring 2007.
- c. Encourage municipalities to establish more collection sites, especially in larger centers.
- d. A pilot project with 4H to collect old electronics from farmsteads.
- e. A targeted strategy for the non-residential [commercial/institutional] sector.
- f. A province-wide public information campaign (TV, radio, print) to support all of the above.



Public Awareness and Support

One of the main reasons we will succeed in achieving our environmental outcomes is because the public thinks it is a good idea. Recent polls provide a solid foundation of goodwill on which to build:

- 60% are aware of the program – not bad for the second year.
- Of these, over 80% support the program, although some are still a bit skeptical with 57% supporting the fees.

However, only 43% say they have actually taken old electronics to a collection site or participated in a roundup. While the program is new, we need to improve this participation.

In addition, Alberta Recycling wants to ensure that Albertans are aware of the options of donating their old computers for charitable reuse in Alberta rather than discard their old useable electronics into the recycling program. To this end, Alberta Recycling is incorporating information on reuse into its public information program.

New Electronics, 'Greener' Electronics

The rapid change of technology in the electronics industry presents new challenges to the program. New technologies can impact sales tremendously, affecting consumer buying and discard patterns which can significantly affect program volumes and therefore program revenues and expenditures.

For example, in 2006/07 there was a huge spike in the sale of flat-screen TVs and computer monitors in Alberta's hot, technology-loving economy. This sales spike causes a spike in revenues into the program but not a spike in program volumes and expenditures. Both recovery rates and program funding are impacted. Furthermore, in the future when Albertans discard the flood of flat screen TVs and computers that they have bought, we will need to ensure the right amount of funding is available to keep the program viable over time.

Another very positive potential opportunity based on rapid technology change is Design for Recycling (DfR). This means working with major electronics manufacturers to develop products that are more "environmentally friendly", that are designed so that they are easier and cheaper to recycle. This includes such objectives as:

- Reducing and eliminating the use of potentially hazardous materials;
- Designing products so that they are easier to dismantle and process for recycling e.g. fewer screws, unblended plastics;
- Increasing the use of recycled materials in new products, ultimately achieving "closed-loop" recycling of materials back into the manufacturing of new electronics.

For 2007/08, we have developed a performance target to respond to DfR innovations.

Adding More Products to the Program

The Business Plan requires that consideration be given annually to adding more products to the program beyond TVs and computers. In our municipal collection site review in 2006/07, there was considerable interest in adding products like microwaves, VCRs and photocopiers. Now that we are moving into the third year of the program, it is timely to develop a plan and timeframe to recommend additional products.

The plan will include:

- Factors to determine which products to add.
- Analysis of issues relating to collection, processing and recycling.
- Determination of appropriate fee levels and budget.
- Consultation with stakeholders, e.g. municipalities, electronics industry, processors, Saskatchewan and B.C. programs.
- Report and recommend to the Minister.
- Implementation – fees, collection and processing.

Interprovincial Harmonization – the New Opportunity

Harmonization is the process of making provincial programs as similar as possible to create efficiencies for program administration, the electronics industry, consumers and recyclers. Saskatchewan and BC are implementing programs that are harmonized with Alberta's. There is now the real opportunity to define ways to work with other provinces as their programs develop, to try to harmonize programs and administration. Alberta will take a leadership role in pursuing these common benefits.

Managing the Fees and Program Expenditures - Another Major Challenge

Sales and revenue completeness for 2006/07 remained very high. With program volumes and expenditures being lower than anticipated, there is a growing balance in the Fund. Because the electronics industry and markets are very complex and constantly changing, the challenge is to understand the balance between revenues and expenditures into the future through effective management of the fees and Fund to ensure program viability.

We have been able to respond to this challenge by developing a model that incorporates key factors – recovery rates, unit costs, sales volumes, discard volumes, and product lifespan. This model provides the analysis to determine how the fees should be adjusted over time in response to increasing recovery rates and product mix, by coordinating program funding requirements and the Fund balance.

Again, it is important to note that, because of the implications of recovery rates and lifespan, unexpended annual revenues should not be considered 'surplus' revenues because they will be needed in future years. The model indicates that the Fund will increase over a period of several years and then be drawn down. The model provides the Board with the ability to change this revenue-expenditure pattern as appropriate. Finally, our experience to-date is similar to European programs that have been operating for several years.

Tire Recycling Program

Specific information on our progress on the goals and performance measures for fiscal 2006/07 is reported in the Goals section. Following are comments on selected highlights.

Achieving Environmental Outcomes – and Benefits to Albertans

Alberta's tire recycling program continues to be a model of consistency, effectiveness and success. With 4.33 million tires recycled in 2006/07, above the target of 4.13 million tires, the cumulative total rose to over 40 million tires recycled since the program began in September 1992. In summary, all available scrap tires in Alberta are recycled.

Much of the direct and indirect benefit to Albertans can be quantified for 40 million tires recycled:

- An estimated 5.4 million cubic meters of landfill space saved, worth in the order of \$200 million on a full life-cycle basis.
- An estimated 200,000 tonnes of shred used in leachate collection systems, saving in the order of 600,000 tonnes of non-renewable washed rock which is worth over \$60 million.
- Close to \$4 million in funding for 231 Municipal Grants so that Alberta Communities benefit directly from the use of recycled rubber products.

We continue to work closely with municipalities and the important role they play in tire recycling:

- Almost \$950,000 in funding to construct 39 Tire Marshalling Areas to improve the handling of tires at landfills.
- Over \$7 million in funding to Asphalt Rubber Projects over 5 years.

Public Awareness and Support

We continue to have strong public awareness and support for the tire recycling program and the fees which fund it. Recent polls show the following:

- Awareness is 70%, which is down from 80% in the previous poll.
- Of those, 78% support the program while support for the fee is 62%, down somewhat from 68%.

Because the levels have dropped from previous highs, we will be more proactive in communicating with Albertans about the ongoing success of the program.

A Solution for Off-Road Tires and Interprovincial Harmonization

After a number of attempts in previous years, real progress has been made on the processing of the thousands of large industrial off-road tires (OTR) discarded by Alberta's construction, forestry, mining, manufacturing and agriculture industries.

This past year, 2,333 tonnes of shred were produced, above the target of 2,040 tonnes. That target doubles for 2007/08. As OTR processing continues to ramp up, any stockpiles at landfills, tire dealers and industrial sites will be eliminated.

In addition, Alberta has taken a leadership position in working with other provincial programs through their national association, the Canadian Association of Tire Recycling Agencies (CATRA), to develop a standardized classification of the variety of types of OTR, and then develop a proposed range of fees to fund OTR recycling programs. This cooperative effort has included the OTR industry - manufacturers, distributors and users, in order to ensure effective results.

Managing the Fees and Program Expenditures

There were several items arising out of the Program Review in 2005/06 that were addressed in 2006/07.

The review confirmed that the Program Incentive levels were appropriate to ensure the recycling industry was sustainable. In addition, the review indicated that the \$4.00 Surcharge was appropriate, and that reducing it to \$3 would negatively impact the viability of the processing industry. Further, the review indicated that the industry was facing increasing operating costs, especially for transportation. Adjustments have been made to adequately respond to costs that have impacted the transportation of scrap tires.

A goal of the program is to facilitate the development of value added recycling as the long term path to a sustainable industry. We closely monitor the total number of scrap tires processed for manufactured product, rubber crumb and shred civil engineering projects to determine that program funding is appropriate and effective. At the same time, we continue to work closely with municipal landfills to schedule civil engineering shred (leachate) projects over a three-year timeframe in coordination with trends in value-added recycling.

Household Hazardous Waste Program

For the third year, we administered a portion of the funding of the Household Hazardous Waste Program (HHW) on behalf of Alberta Environment. This voluntary program is run in partnership with 130 Alberta municipalities to collect, treat and dispose of over one million litres of hazardous household materials each year.

Alberta Recycling will once again partner with Alberta Environment in 2007/08 to administer the HHW program and continue to provide environmentally sound alternatives for Albertans to safely dispose of their hazardous waste. In this regard, a performance measure has been introduced in our 2007/08 Business Plan.

In another form of multi-material stewardship, in 2007/08 we are building on the HHW roundups to improve the collection of electronics by encouraging joint HHW and electronic roundups. This improved convenience for Albertans by making one trip for both materials to a more convenient site or time. The electronics program will provide funding for advertising and for roundup costs and volumes in addition to that provided by the HHW program.

2006-2007 Goals, Performance Measures & Results

Alberta Recycling Goals A 1 TO A 3

Goals A 1 to A 3 address the corporate functions regarding revenue collection and accountability. The remainder of the goals relate specifically to funding under each of the electronics and tire recycling programs.

A 1 All Advanced Disposal Surcharges (Surcharges) for eligible electronics are remitted.

Performance Measure A 1.1

The amount of unremitted Surcharge revenues outstanding on eligible electronic products supplied in or into Alberta.

This is measured by comparing the Surcharge revenues outstanding at fiscal year end, as a percentage of the total annual Surcharge revenues budgeted for that fiscal year.

Results

Revenue completeness was extremely high in the second year of the program. Results outperformed the target for 2006/07, based on uncollectible Surcharges or bad debts in the amount of \$30,147 on total surcharge revenues of \$27,131,355.

Target:	2005/06 Result	1.0%
	2006/07 Target	1.6%
	2006/07 Result	0.1%

The registration and remittance compliance procedures were fully implemented, and improvements were introduced to better facilitate the identification of and compliance by remitters while substantially reducing the paperwork for over 700 smaller Alberta companies.

Note: This Goal and Performance Measure have been changed in the 2007/08 Business Plan.

A 2 All Advanced Disposal Surcharges (Surcharges) for eligible scrap tires are remitted.

Performance Measure A 2.1

The amount of unremitted Surcharge revenues outstanding on eligible scrap tires supplied in or into Alberta.

This is measured by comparing the Surcharge revenues outstanding at fiscal year end, as a percentage of the total annual Surcharge revenues budgeted for that fiscal year.

Results

Revenue completeness continued extremely high as has been the case consistently for a number of years. Because the tire recycling program is mature, the amount of uncollected Surcharges is minimum and stable. Results outperformed the target for 2006/07, based on uncollectible Surcharges or Bad Debts in the amount of \$4,593 on total Surcharge revenues of \$16,702,638.

Target:	2005/06 Result	0.1%
	2006/07 Target	0.1%
	2006/07 Result	0.02%

Note: This Goal and Performance Measure have been changed in the 2007/08 Business Plan.

A 3 Alberta Recycling provides effective governance and management of the funds delegated to it, and is fully accountable for these funds and for the operations of the organization.

Performance Measure A 3.1

Alberta Recycling is fully accountable for the management of the funds through reporting requirements under the Regulation and its Bylaws.

This is measured by reporting on the fulfillment of Alberta Recycling's accountability requirements, including any incomplete requirements, and actions and timetables to fulfill these requirements.

Results

Full compliance is achieved within the timetable required for the fiscal year, ending in the AGM in July 2007 and the subsequent submission of the Annual Report to the Minister by September 2007.

The recommendations of the governance review have been implemented, including changes to a number of the items of the accountability framework. This may affect the completion of accountability reporting into 2007/08.

Target: Full compliance with the Regulation, Bylaws and Alberta Recycling policies, by Alberta Recycling's annual reporting deadline.

- Submit to the Minister as required the Business Plan, Annual Budget and Annual Report, and post these on the website.
- Ensure financial audits are completed and the auditors' report to the Membership as required.
- Fulfill corporate reporting requirements including reporting required at the Annual General Meeting.
- Report on the Alberta Recycling accountability framework, including the Regulation, Bylaws and the following policies and procedures adopted by Alberta Recycling and identify and address shortcomings:
 - Assessment Operations Policy
 - Audit Committee Policy
 - Conflict of Interest Policy
 - Investment Fund Management Policy
 - Remuneration & Expense Policy
 - Revenue Compliance Procedures – ERA, TRA
 - Program Compliance Review Procedure – ERA, TRA
 - Administration Procedures (Data Management, Disaster Recovery and Records Management)

Performance Measure A 3.2

Manage Electronics Recycling Alberta (ERA) revenues and expenditures to maintain the ERA Operating Reserve at the level set by the Board.

This is measured by the amount by which the approved ERA Operating Reserve varies from total ERA Net Assets, and any actions needed to bring the Operating Reserve equal are slightly less than Net Assets.

Results

The results were substantially off target with Net Assets being in excess of the Operating Reserve of \$15,084,746 by an amount of \$19,836,416. This was due to two major factors:

- a. The amount of old electronics discarded by Albertans into the program was substantially lower than anticipated, resulting in low program expenditures.
- b. Sales of electronics in Alberta were far above industry projections, resulting in high program revenues.

Two major initiatives have been undertaken to address this revenue/expenditure gap:

- a. Programs to enhance the inflow of old electronics:
 - More collection sites in larger centers and community roundups to encourage and make it more convenient for the public to discard their old electronics.
 - Targeted strategies to address the different needs of major companies, institutions and organizations
 - Public media awareness campaigns targeted to support the above initiatives.
- b. A comprehensive financial modeling capability that will provide the necessary information and projections to support decisions to adjust the fees to maintain the appropriate funding of the program into the future.

Note: This Goal and Performance Measure have been changed in the 2007/08 Business Plan to become part of Goal A1.

Performance Measure A 3.3

Manage Tire Recycling Alberta (TRA) revenues and expenditures to maintain the TRA Operating Reserve at the level set by the Board.

This is measured by the amount by which the approved TRA Operating Reserve varies from total TRA Net Assets, and any actions needed to bring the Operating Reserve equal are slightly less than Net Assets.

Results

The results were off target with Net Assets being in excess of the Operating Reserve of \$13,648,121 by an amount of \$7,758,066 This was due to three major factors:

- a. Under expenditure of the Recycling Development Programs in part because of lower industry requests for funding.
- b. Higher than anticipated tire sales because of the strong Alberta economy and a spike in consumer purchases of winter tires.
- c. Higher than anticipated investment earnings because of less draw on the invested funds and higher market earnings.

The Recycling Development Programs, including key municipal funding programs like the Municipal Community Projects, will be continued until the Fund balance is drawn down to the Operating Reserve – likely for 2007/08 and 2008/09.

Note: This Goal and Performance Measure have been changed in the 2007/08 Business Plan to become part of Goal A2.

Performance Measure A 3.4

Ensure the operations of the organization and its programs are cost-effective.

This is measured by the costs of core operations – Surcharge Collection, Recycling Program Delivery, and General Administration, which are defined as follows:

Surcharge Collection – The cost of collecting the environmental fee (also referred to as Advance Disposal Surcharge) on the sale of over 3.0 million tires annually, as remitted by over 2000 retailers throughout Alberta, and including registration, compliance, and recovery actions.

Recycling Program Delivery – The direct cost of operating the TRA recycling programs, including evaluation, approval and compliance monitoring of the collection, processing, and use of recycled scrap tire material.

Administration – Expenditures resulting from the general administration of the TRA including activities of the Board of Directors and staff, communications, computer systems, space, supplies and overhead expenses.

Total (Total Operating Costs) – sum of the above, from the Statement of Revenue and expenditures.

Annual Surcharge Revenues – The total environmental fee (Advance Disposal Surcharge) revenue remitted during the subject fiscal year.

Results

For both TRA and ERA, the targets were met and exceeded in all categories.

- Total operating expenditures are presented both as a percent of annual surcharge revenues and actual dollar, to compare year-over-year changes.
- Expenditures for Surcharge Collection, Program Delivery and Administration are presented as a percent of the Total Operational Costs, to compare relative costs of these operations.

TRA Target	Total Operational Costs		Surcharge Collection	Program Delivery	Administration
	% Surcharge Revenues	\$	% Total Operational Costs		
2002/03	15.6	(1,468,679)	21.15	32.69	46.16
2003/04	12.0	(1,610,502)	30.0	22.5	47.5
2004/05	13.8	(1,929,855)	23.91	32.61	43.48
2005/06	10.5	(1,163,347)	12.7	39.3	48.0
2006/07 Target	11.4	(1,956,923)	15.79	35.96	48.25
2006/07 Results	8.5	(1,422,312)	12.3	25.9	61.8

ERA Target	Total Operational Costs		Surcharge Collection	Program Delivery	Administration
	% Surcharge Revenues	\$	% Total Operational Costs		
2005/06	11.2	(1,989,326)	27.6	42.8	29.6
2006/07 Target	13.2	(2,926,084)	28.6	34.9	36.4
2006/07 Results	8.0	(2,122,232)	16.6	42.9	40.5

Electronics Recycling Alberta Goals E 1 to E 5

Electronics Recycling Alberta (ERA) has the following goals and performance measures in support of the Alberta Recycling mandate to recycle electronic materials.

E 1 Enable effective waste minimization and recycling solutions for all eligible electronics discarded by Albertans.

Performance Measure E-1.1

Substantially increase the amount of eligible material recycled in compliance with ERA incentive program requirements.

This is measured by setting annual targets to increase the total amount of eligible electronics processed under ERA Program at a maximum achievable level.

Results

Yearly Total – Municipal and ICI Sectors

ERA Targets	Tonnes
2005/06 Results	4,366
2006/07 Target	18,321
2006/07 Results	6,365

Results were substantially under the target primarily because the volumes discarded by Albertans and the commercial/institutional sector into the program were far below projections. Projections were based on a 50% recovery rate (50% of estimated total sales) while the actual recovery rate was in the order of 20%.

Another significant factor in the lower volumes was that the City of Edmonton stockpile of ewaste, estimated at over 4,000 tonnes, was not processed due to a delay in the startup of their processor. Processing of this ewaste will commence in late 2007.

A priority strategy has been implemented to increase collection and processing volumes, including:

- Municipal roundups
- Additional collection sites, especially in larger centers
- A targeted strategy for the non-residential [commercial/institutional] sector

Performance Measure E 1.2

Significantly increase the amount of eligible electronics material collected by sources in compliance with program requirements.

This is measured by setting annual targets to increase the total amount of eligible electronics collected under ERA Program at a maximum achievable level.

Results

Target: Establish baseline numbers and subsequent business planning targets for 2006/07-08/09

Yearly Total – Residential and ICI Sectors

ERA Targets	Units Collected
2005/06 Results	246,973
2006/07 Target	343,767
2006/07 Results	590,740

The baseline numbers have been established and volumes increased this year over last. This Performance Measure, which substantially duplicates E 1.1, has been changed in the 2007/08 Business Plan.

The number of collection sites has increased from approximately 100 sites to 200 collection sites throughout the province for residents to take their ewaste for recycling.

E 2 Eligible electronics are recycled in an environmentally and socially responsible manner.

Performance Measure E 2.1

Ensure that Processors and Collectors are in compliance with the Processor Qualification and Funding Requirements – including the processor qualification process, environmental audits, environmental management systems, environmental health and safety requirements, collection site requirements, transportation and export requirements – to ensure proper collection, processing and downstream use of eligible electronics material.

This is measured by the number of processors completing an annual audit, and reduction in the number of deficiencies identified.

Target: Establish baseline numbers and subsequent business planning targets for 2006/07-08/09.

- 100% of processors audited annually.
- 100% of deficiencies addressed or corrected in the timeframe specified by the environmental auditor.

Results

Audits were completed on all processors in 2006/07, as were desk compliance reviews of downstream processors. Processor Reports and a Summary Report were completed identifying deficiencies and their resolution; processors have been given a deadline to address deficiencies.

The Environmental Assurance process and performance measures has been modified and further refined in the 2007/08 Business Plan.

Performance Measure E 2.2

Substantially increase the diversion of potentially hazardous material from the waste stream by incorporating appropriate environmental management systems.

Target: Establish baseline numbers and business planning targets for 2006/07-08/09, by type of material, e.g., CRT leaded glass, mercury, batteries.

Results

The formulae have been developed to estimate the amounts of potentially hazardous diverted materials diverted through the program.

Baseline numbers were established for the 2007/08 Business Plan.

Hazardous Material	Amount Diverted (kg)
Leaded glass	245,039
Batteries	138
Mercury	0.14
Cadmium	4.42
Beryllium	11
Antimony	984

E 3 Program funding rates, and the resulting ADS rates, are appropriate for a sustainable recycling solution to Alberta's waste electronics.

Performance Measure E 3.1

Improvements in sustaining the economic viability of the Alberta processing industry, based on reduced costs of handling, processing and recycling eligible electronics, and/or increased revenues from the sale of recycled materials.

This is measured by the "normalized" net revenues of the electronics recycling industry (an assessment of the difference between revenues and expenditures of the processors aggregated and assessed on an industry basis).

Results

Target: Establish baseline numbers and subsequent business planning targets.

This performance measure has been deferred to 2007/08 as there was not a sufficient period of operating time from which to develop the meaningful audited financial information from the processors.

Through quarterly meetings with each processor, management received information on the processing operations. There was no indication that the level of processing funding was inappropriate.

E 4 Albertans are aware of and support electronics recycling.

Performance Measure E-4.1

The public and key stakeholders are aware of and support ERA's programs, the associated Advance Disposal Surcharge and the levels of awareness and support increase over time.

This is measured through public opinion polls on percentage levels of awareness and support of the fees and program, and participation in electronics recycling (use of collection sites, round-ups).

Results

The targets were met or exceeded, as measured by an Ipsos-Reid poll in April 2007.

- a) The public awareness initiatives will be maintained and enhanced primarily as a proven method of helping to increase participation and volumes processed through the program.

Public Awareness

ERA Targets	Program	Fee
2005/06 Benchmark	54%	59%
2006/07 Target	59%	62%
2006/07 Result	60%	65%*

*Rated 7 or more out of 10

Public Support**

ERA Targets	Program	Fee
2005/06 Benchmark	54%	59%
2006/07 Target	59%	62%
2006/07 Result	87%	57%***

**% of those who are aware

***Rated 7 or more out of 10

Public Participation

ERA Targets	Program
2005/06 Benchmark	No benchmark
2006/07 Target	No target
2006/07 Result	43%

E 5 The list of eligible electronics is reviewed at least annually, consistent with the Regulation, to determine if additional products should be recommended to be eligible under the program.

Performance Measure E 5.1

Report on the scope of eligible products included and both the capacity in Alberta to increase the scope of electronics and whether there is collection, waste or environmental issues arising with particular electronic devices not included.

Results

The process of adding new products was begun with the surveying of the managers of all municipal collection sites in the province. The survey confirmed their support for adding additional product and generated an indication of their priority for products to be added:

- Microwaves
- VCRs, stereos and similar audio-visual products
- Photocopiers and similar products like scanners and fax machines

The development of the financial model was completed which is necessary to determine the appropriate level for the new fees.

The process is continuing into 2007/08 with the development of a consultation process and timeline with key stakeholders – the electronics industry, municipal collection sites and processors – to finalize the list of recommended products to be added and the implementation process.

Tire Recycling Alberta Goals T 1 to T 5

Tire Recycling Alberta (TRA) has the following goals and performance measures in support of the Alberta Recycling mandate relating to scrap tire material.

T 1 Enable effective waste minimization and recycling solutions for all eligible scrap tires discarded by Albertans.

Performance Measure T 1.1

Substantially increase the recovery and processing of processable Alberta scrap tires.

This is measured by setting annual targets to increase the total amount of eligible tires processed (passenger and light truck (PLTT), medium truck tires (MTT) at a maximum achievable level.

Results

TRA Targets	Tires Collected (tonnes)
2002/03	33,100
2003/04	34,700
2004/05	41,600
2005/06	47,600
2006/07 Target	41,300
2006/07 Results	43,286

The target has been exceeded, in part because of higher tire sales due to economic activity and consumers purchasing winter tires to replace all-weather tires.

In 2006/07 a total of 43,286 tonnes of tires were recycled, which means virtually all available scrap tires were collected and processed. The spike in volumes processed in 2005/06 was the result of a one-time clean-up of a major stockpile of tires that had aggregated over several years previous.

Performance Measure T-1.2

Increase the volume of Off-the-Road (OTR) tires being either reused or recycled and develop appropriate funding mechanisms to encourage increased reuse and/or recycling of OTRs.

This is measured against targets set for specific pilot projects plus interim projects to divert whole OTRs from stockpiles of concern.

Results

TRA Targets	OTR Collected (tonnes)
2005/06	1,254
2006/07 Target	2,040
2006/07 Results	2,333

The target was met, with 2,639 tonnes of whole OTR being collected in Alberta and 2,333 tonnes of shred processed from those tires.

Most of this was through the processor's initial project to shred the very large mining tires, something that had not been done in Alberta before. The shred was used for civil engineering purposes.

The processor has relocated to a more central location and is collecting and processing the more common OTRs from landfills and dealer stockpiles, including grader/loader tires, agriculture tires, construction and industrial tires.

T 2 Scrap tires are recycled in an environmentally and socially responsible manner.

Performance Measure T 2.1

Minimize the number of tires in stockpiles and ensure the proper storage of tires, to reduce the risk to health and the environment. This is measured by lower total volume of stockpiled tires, fewer stockpiles, and frequency of collection.

Results

A survey completed in the summer of 2006 identified landfill sites that had collection issues for PLTT, MTT and OTR. The majority of the sites have been serviced with a few remaining from this list that require further pick up to eliminate their 2006 stockpiles.

Two private stockpiles have been identified and Alberta Recycling is working with the appropriate local authorities to address these issues.

Performance Measure T 2.2

Substantially increase the amount of non-renewable resources that are saved (reduced or replaced) by the use of recycled tire material.

Results

Baseline numbers have been established for 2006-07:

- 540,000 m³ of landfill space was saved by the diversion and recycling of 4.3 million tires.
- 66,000 tonnes of washed rock was saved by the supply of shred from 2.3 million tires, as drainage medium in landfill leachate collection systems.
- 20,000 tonnes of recycled rubber product, or the equivalent of 2 million tires, were used in place of materials including concrete and sand in playgrounds, sports fields, sidewalks, patio stones.

Performance Measure T 2.3

Minimize the potential for disease-carrying insects to breed in tire stockpiles to reduce the risk to public health.

Results

- Provincial or municipal authorities monitor processor sites for West Nile independent of Alberta Recycling.
- When stockpiles are identified Alberta Recycling works with processors and local authorities (if necessary) to ensure that this material is dealt with as promptly as possible to help eliminate breeding grounds.
- No reports have been made of public health incidents related to tire piles.
- Contacts are in place if required to conduct testing for incidents of subject mosquitoes.

T 3 Program funding rates, and the resulting surcharge rate, are appropriate for a sustainable recycling solution to Alberta's scrap tires.

Performance Measure T 3.1

Improvements in sustaining the economic viability of the Alberta processing industry, based on reduced costs of handling, processing and recycling eligible tires, and/or increased revenues from the sale of recycled materials.

This is measured by the "normalized" net revenues of the tire recycling industry (an assessment of the difference between revenues and expenditures of the processors aggregated and assessed on an industry basis).

Results

The major audit and financial review of tire processors was completed in 2006/07, confirming that the industry is economically viable under the current level of funding and the Surcharge rate.

In addition, an internal analysis was done of processor financial statements to confirm the financial viability of industry under current program funding levels.

Performance Measure T 3.2

Encourage more effective processing and value-added recycling of scrap tires to enhance the economic sustainability of the recycling industry.

This is measured by setting targets for the amount of manufactured product and rubber crumb processed annually as a percentage of the total number of scrap tires processed annually.

Results

Manufactured product volumes continue to be volatile with lower than anticipated volumes while crumb volumes were down but above the target as export markets rebound.

Continued coordination with municipal leachate projects saw higher volumes than targeted to ensure that all tires were recycled. The following definitions apply:

Manufactured Product – Products made from rubber crumb, such as molded bricks, anti-fatigue mats, and dairy mattresses.

Rubber Crumb – Particles of rubber ground from shredded scrap tires - from pea-gravel size down to the consistency of flour – with the steel and fibre components removed. Uses for rubber crumb include: feedstock to manufacturers and crumb applications such as playground surfaces (i.e. sand replacement).

Civil Engineering (Shred) – The use of tire shred as value-added material in civil engineering projects because of its superior characteristics (i.e. drainage, insulation, and lightweight). Tire shred consists of pieces of mechanically cut-up tires, usually 2" to 4" chunks, with steel and fibre still embedded.

TRA Target	% Manufactured Product	% Rubber Crumb	% Civil Engineering
2000/01	11	43	46
2001/02	19	35	46
2002/03	20	34	46
2003/04	23	37	40
2004/05	20	40	40
2005/06	20	39	41
2006/07 Target	22	27	52
2006/07 Results	15	31	54

T 4 Albertans are aware of and support tire recycling.

Performance Measure T 4.1

The public and key stakeholders are aware of and support TRA's programs, the associated Advance Disposal Surcharge – and the levels of awareness and support increase over time. This is measured through public opinion polls on percentage levels of awareness and support of the fees and program.

Results

The targets were not met, as measured by an Ipsos-Reid poll in April 2007. Because the program is well established, public awareness initiatives have been reduced, with a negative impact on awareness and support. Additional detail and analysis is presented in the full poll report.

Public Awareness

TRA Target	Program	Fee
2005/06 Benchmark	83%	80%
2006/07 Target	-	84%
2006/07 Results	70%	73%*

*Rated 7 or more out of 10.

Public Support**

TRA Target	Program	Fee
2005/06 Benchmark	68%	-
2006/07 Target	-	72%
2006/07 Results	78%	62%***

**% of those aware

***Rated 7 or more out of 10

T 5 Alberta communities benefit from tire recycling.

Performance Measure T 5.1

The value of benefits flowing to Albertans as a result of tires recycled, recycled rubber products used and developmental projects funded under the programs.

This is measured by the amount of funding to community-based projects, the number of communities using recycled tire product, the amount of recycled tire product used in Alberta and the value of that product.

Results

2006/07 municipal projects and funding included the following:

Activity	Number of Projects	Funding Allocated
Municipal Demonstration Projects	19	\$280,444
Tire Marshalling Projects	3	\$34,173
Asphalt Rubber Projects	7	\$520,000

Savings and benefits to Albertans from tires diverted and recycled materials used included:

- \$20 million life-cycle value of landfill space saved by the diversion and recycling of 4.3 million tires.
- \$2.6 million value of washed rock saved by the supply of shred from 2.3 million tires, as drainage medium in landfill leachate collection systems.

Funding of projects to develop better technologies and more valuable products included:

- Pilot project to use of rubber to improve asphalt pavements.
- R&D project with Alberta Research Council into breakthrough technology to change the manufacture of recycled rubber product.

2006-2007 Audited Financial Statement – TRA, ERA, HHW

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May 31, 2007

AUDITORS' REPORT

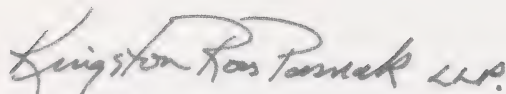
Edmonton, Alberta

To the members of Alberta Recycling Management Authority

We have audited the statement of financial position of the Alberta Recycling Management Authority (the "Authority") as at March 31, 2007 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations, the changes in its net assets and its cash flow for the year then ended, in accordance with Canadian generally accepted accounting principles.



Kingston Ross Pasnak LLP
Chartered Accountants

Statement of Financial Position

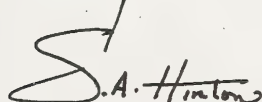
March 31, 2007

	Tire Recycling Alberta (Note 1) Sch. 2, pg.48	Electronics Recycling Alberta (Note 1) Sch. 3, pg.51	Household Hazardous Waste Program (Note 1) Sch. 4, pg. 54
ASSETS			
Current assets:			
Cash	\$ 3,682,918	\$ 2,658,709	\$ 190,944
Short-term investments (Note 4)	484,876	30,160,808	-
Accounts receivable (Note 12)	1,309,823	3,086,876	58,327
Prepaid expenses	24,337	-	-
	<u>5,501,954</u>	<u>35,906,393</u>	<u>249,271</u>
Investments (Note 5)	17,651,024	-	-
Property and equipment (Note 6)	201,798	-	-
	<u>\$ 23,354,776</u>	<u>\$ 35,906,393</u>	<u>\$ 249,271</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Payable to recyclers	\$ 985,337	\$ 502,302	\$ -
Accounts payable and accrued liabilities (Notes 9 and 12)	963,428	482,927	249,271
	<u>1,948,765</u>	<u>985,229</u>	<u>249,271</u>
Externally restricted net assets (Note 9):			
Allocated:			
Operating reserve	13,648,121	15,084,746	-
Invested in property and equipment	201,798	-	-
Unallocated:			
Recycling and Management Fund (Notes 1 and 9)	7,556,092	19,836,418	-
	<u>21,406,187</u>	<u>34,921,162</u>	<u>-</u>
	<u>\$ 23,354,776</u>	<u>\$ 35,906,393</u>	<u>\$ 249,271</u>

Commitments (Note 10)

See accompanying notes to financial statements

On behalf of the Board:



Chairman

Statement of Revenues and Expenditures

March 31, 2007

	Tire Recycling Alberta (Note 1) Sch. 2(a), pg. 49	Electronics Recycling Alberta (Note 1) Sch. 3(a), pg. 52	Household Hazardous Waste Program (Note 1) Sch. 4(a), pg. 55
Recycling revenues:			
Advance disposal surcharges	\$ 16,702,638	\$ 27,131,355	\$ -
Interest	27,111	28,159	7,678
Government grants	-	-	1,167,142
Total recycling revenues	16,729,749	27,159,514	1,174,820
Less:			
Surcharge compliance program delivery	174,954	352,615	-
Bad debts	4,593	30,147	-
Gross contribution	16,550,202	26,776,752	1,174,820
Recycling expenditures			
Recycling incentive programs	12,136,393	5,480,456	-
Recycling program delivery	367,786	911,146	-
Transportation contracts	-	-	121,620
Brokers contracts	-	-	736,798
Total recycling expenditures	12,504,179	6,391,602	858,418
Recycling development and other			
Research and development	1,366,527	150,056	-
Public information	767,098	1,137,084	-
Recycling development programs	1,615,862	100,530	-
Information technology	24,355	25,366	-
Program delivery	138,858	103,343	-
Total recycling development	3,912,700	1,516,379	-
Administration			
Salaries and related expenses	574,377	547,270	101,966
General administration expenses	305,195	311,201	29,555
Total administration expenditures	879,572	858,471	131,521
Total program expenditures	17,296,451	8,766,452	989,939
Revenue net of program expenditures	(746,249)	18,010,300	184,881
Fund investment			
Investment income	1,448,135	967,891	-
Less:			
Fund investment program delivery	(26,897)	(49,253)	-
Investment managers and related	(95,724)	-	-
Net investment income	1,325,514	918,638	-
Excess of revenues over expenditures before: (Repayment)/recovery of additional funding (Note 9)	579,265 -	18,928,938 -	184,881 (176,222)
Excess of revenue over expenditures	\$ 579,265	\$ 18,928,938	\$ 8,659

Statement of Changes in Net Assets

March 31, 2007

	Property and Equipment	Tire Recycling Alberta Operating Reserve (Note 9)	Tire Recycling Alberta Recycling & Management Fund (Note 1) Sch. 2(b), pg. 50	Electronics Recycling Alberta Operating Reserve (Note 9)	Electronics Recycling Alberta Recycling and Management Fund (Note 1) Sch. 3(b), pg. 53	Household Hazardous Waste Program (Note 1) Sch. 4(a), pg. 55
Net assets, beginning of year	\$ 209,205	\$ 13,648,121	\$ 6,969,420	\$ 5,721,421	\$ 10,270,805	\$ (8,659)
Excess of revenues over expenditures	-	-	579,265	-	18,928,938	8,659
Amortization of property and equipment	(96,105)	-	45,955	-	44,384	5,766
Transfers (Note 9)	-	-	50,150	9,363,325	(9,407,709)	(5,766)
Investment in property and equipment	88,698	-	(88,698)	-	-	-
Net assets, end of year	<u>\$ 201,798</u>	<u>\$ 13,648,121</u>	<u>\$ 7,556,092</u>	<u>\$ 15,084,746</u>	<u>\$ 19,836,418</u>	<u>\$ -</u>

Statement of Cash Flow

March 31, 2007

	Tire Recycling Alberta (Note 1) Sch. 2(c), pg. 50	Electronics Recycling Alberta (Note 1) Sch. 3(c), pg. 53	Household Hazardous Waste Program (Note 1) Sch. 4(b), pg. 55
Cash flow from (used in) operating activities:			
Advance disposal surcharges collected	\$ 16,729,749	\$ 27,159,514	\$ 1,174,820
Surcharge collection costs	(179,547)	(382,762)	-
Processing	(16,605,462)	(8,340,568)	(912,434)
Administration	(783,468)	(858,473)	(131,521)
	<u>(838,728)</u>	<u>17,577,711</u>	<u>130,865</u>
Cash flow from (used in) investing activities:			
Investment income	1,448,135	967,891	-
Investment management costs	(122,621)	(49,253)	-
Purchases of investments	(349,548)	(21,160,808)	-
Acquisition of property and equipment	(88,698)	-	-
Net proceeds on sale of investments	578,787	-	-
	<u>1,466,055</u>	<u>(20,242,170)</u>	<u>-</u>
Increase (decrease) in cash position	627,327	(2,664,459)	130,865
Cash, beginning of year	<u>3,055,591</u>	<u>5,323,168</u>	<u>60,079</u>
Cash, end of year	<u>\$ 3,682,918</u>	<u>\$ 2,658,709</u>	<u>\$ 190,944</u>

Notes to the Financial Statements

March 31, 2007

Note 1 Authority and Purpose

The Alberta Recycling Management Authority (the "Authority") is incorporated under the Societies Act of the Province of Alberta and has a mandate to establish waste minimization and recycling initiatives and programs in the Province of Alberta in accordance with sound environmental principles.

The Designated Material Recycling & Management Regulation AR93/04 (the "Regulation") authorizes the Authority to levy and collect advance disposal surcharges (the Recycling and Management Fund), which are to be used to provide or pay for any or all of the following but in respect of that specific designated material only:

- Waste minimization and recycling programs;
- Education programs for the purpose of minimization and recycling programs;
- Expenditures on the collection, transportation, storage, processing and disposal of designated materials;
- Research and development activities related to designated materials management;
- Promotion of the uses of recycled materials and products.

Under the Designation Regulations (AR 95/04) and (AR 94/04), tires and electronics respectively, have been defined as "designated materials" by the Government of Alberta. The Regulation has the effect of externally restricting the designated material Funds.

Tire Waste

The Authority administers, through Tire Recycling Alberta ("TRA"), used tire waste minimization and recycling programs in the Province of Alberta. TRA uses advance disposal surcharges levied on the sale of certain new tires in Alberta to fund tire recycling initiatives in accordance with the Regulation.

Electronic Waste

The Authority administers, through Electronics Recycling Alberta ("ERA"), an electronics waste minimization and recycling program in the Province of Alberta. ERA uses advance disposal surcharges levied on the sale of certain new electronics in Alberta to fund used electronics recycling initiatives in accordance with the Regulation.

Household Hazardous Waste Program

Through a renewable agreement with the Province of Alberta, the Authority administers the Province's Household Hazardous Waste ("HHW") Program. The Authority receives government funding restricted for purposes of carrying out the Household Hazardous Waste Program.

The Authority is a not-for-profit association, and accordingly, no provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

Notes to the Financial Statements

March 31, 2007

Note 2 Basis of presentation

The Authority bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

The financial statements of the Authority include the operations of Tire Recycling Alberta, Electronics Recycling Alberta and the Household Hazardous Waste Program. Each program has a separate and distinct purpose and is governed by its own legislative mandate. The Regulation requires that each program be operated and funded separately. Use of advance disposal surcharge revenues and/or funds between the programs is not permitted by the legislation.

The combined statements of financial position, revenues and expenditures, and changes in net assets as reported in the schedules to the financial statements have been presented in accordance with the requirements of Section 4400 of the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook which requires the presentation of total assets, liabilities, revenues, expenses and net assets for all programs be reported. Totals have been provided solely for the purpose of presenting the overall financial position, results of operations, changes in net assets and cash flows for the Authority. This presentation is not intended to imply that the assets, liabilities, revenues, expenses and net assets of each of the programs have been combined or co-mingled. By law, the assets, liabilities, revenues, expenses and net assets of each program cannot be combined or co-mingled.

Comparative information on a program-by-program basis is provided in Schedules 2, 3 and 4.

Note 3 Significant accounting policies

Revenue recognition

Revenue from advance disposal surcharges on new tires supplied in Alberta is recognized by the Authority at the time the tires are supplied to the end customer.

Revenue from advance disposal surcharges on new electronics supplied in Alberta is recognized by the Authority at the time the electronics are supplied to the customer.

The Authority identifies new suppliers, as well as reviewing tire and electronics sales volumes from existing suppliers through its compliance review activity. Any amendments arising from this review are recorded by the Authority as adjustments to revenue in the current period in which the amendments are made. The revenues reported represent fees collected and management's best estimate of uncollected revenue. Due to the inherent uncertainties in the industry reporting, there may be adjustments in future periods and such adjustments may be material to the financial position of the Authority.

Revenue from government grants is recognized by the Authority when approved.

The Authority uses the restricted fund method of accounting.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant management estimates pertain to the collectability of Advance Disposal Surcharges and related accounts receivable and the estimated useful lives of property and equipment.

Notes to the Financial Statements

March 31, 2007

Note 3 Significant accounting policies (continued)

Investments

Investments are recorded at the lower of cost and market. Pooled fund investments include money market, debt and equity-based pooled funds that are widely held and diversified and professionally managed. Investment income on pooled funds is recognized when distributed by the fund. Other interest and investment income is recognized when earned.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Computer equipment and software	3
Furniture and fixtures	5
Leasehold improvements	5

Property and equipment are recognized as part of the net assets of Tire Recycling Alberta. Amortization is allocated to each of the three programs under the Authority's administration based on a formula prescribed by the Board of Directors.

Statement of Cash Flow

The Authority uses the direct method of presentation in its Statement of Cash Flow.

Note 4 Short-term investments

Short-term investments are comprised of:

	Tire Recycling Alberta	Electronics Recycling Alberta	Household Hazardous Waste Program
Money market investments bearing interest at 3.90% to 4.09%	\$ 188,161	\$ 20,000,000	\$ -
Treasury bill bearing interest at 4.160% maturing June 2007	\$ 296,715	\$ -	\$ -
Term deposits bearing interest at 4.23% maturing June 2007	\$ -	\$ 10,160,808	\$ -
Total – 2007	\$ 484,876	\$ 30,160,808	\$ -
Total – 2006	\$ 603,583	\$ 9,000,000	\$ -

Notes to the Financial Statements

March 31, 2007

Note 5 Investments

	Coupon Rate	Maturity	Face Value	Market Value	Cost
Bonds and debentures	3.55%	6/2/2008 to			
Bond funds	to 8.0%	06/01/2037	\$ 6,265,615	\$ 5,999,242	\$ 5,847,695
Securities:				5,767,471	5,807,078
▪ Canadian				3,708,572	3,073,922
▪ Foreign				3,266,046	2,852,527
Accrued income				69,802	69,802
Total investments – 2007				18,811,133	17,651,024
Total investments – 2006				\$ 19,015,307	\$ 17,801,322

Note 6 Property and equipment

			2007 Net Book Value	2006 Net Book Value
	Cost	Accumulated Amortization		
Computer equipment and software	\$ 500,180	\$ 435,984	\$ 64,196	\$ 92,637
Furniture and fixtures	144,074	100,438	43,636	58,402
Leasehold improvements	157,417	63,451	93,966	58,166
	\$ 801,671	\$ 599,873	\$ 201,798	\$209,205

Amortization for the year totaled \$96,105 (2006 - \$82,649).

Note 7 Credit facility

Electronics Recycling Alberta

The Authority maintains an unused credit facility that bears interest at prime and is secured by a demand promissory note. The maximum revolving line of credit available is \$1,000,000.

Notes to the Financial Statements

March 31, 2007

Note 8 Compensation

As required under the Designated Material Recycling and Management Regulation (AR 93/04), Section 16(2) and Section 16(3)), the remuneration and benefits paid to all members of the Board of Directors (on an individual basis by name) and remuneration and benefits paid to all management personnel who report directly to one or more members of the Board of Directors (on an aggregate basis) are as follows:

	2007
Board of Directors' Honoraria:	
Mr. Darren Aldous	\$ 12,800
Mr. Robert Barss (since January 2007)	1,650
Mr. Merv Domanko (to October 2006)	5,450
Mr. Sid Hinton (Chairman)	61,000
Mr. David Kerr (since October 2006)	4,950
Mr. Myles Kitagawa	13,912
Mr. Dennis Irving	19,875
Mr. Grant Pisko	7,250
Mr. Al Schulz	11,300
Mr. Al Tinholt	11,825
Mr. Eugene Wauters (to December 2006)	7,125
Benefits	25,512
Sub-total	182,649
Chief Executive Officer Salary	130,000
Benefits	12,504
Total	\$ 325,153

Note 9 Externally restricted net assets***Tire Recycling Alberta***

All the net assets are externally restricted as stipulated in the Regulation and are maintained for purposes set out in the Regulation.

On April 1, 2003, the Authority internally restricted net assets through the establishment of an operating reserve such that in the event of a windup the Authority would be able to sustain the provision of tire recycling programs to Albertans at levels equivalent to currently budgeted operating expenditures. For the year ended March 31, 2007, there was no change in the reserve. The amount of \$13,648,121 operating reserve as at March 31, 2007 is subject to change at the discretion of the Board of Directors.

The Tire Recycling and Management Fund is to be used for the purposes set out in the Regulation (Note 1).

Electronics Recycling Alberta

All the net assets are externally restricted as stipulated in the Regulation and are maintained for purposes set out in the Regulation.

On October 25, 2006, the Authority increased the reserve for internally restricted net assets through the establishment of an operating reserve such that in the event of a windup the Authority would be able to sustain the provision of electronics recycling programs to Albertans at levels equivalent to currently budgeted operating expenditures. For the year ended March 31, 2007, the Authority transferred \$9,363,325 from Electronics Recycling's accumulated surplus to its operating reserve. The amount of \$15,084,746 operating reserve as at March 31, 2007 is subject to change at the discretion of the Board of Directors.

Notes to the Financial Statements

March 31, 2007

Note 9 Externally restricted net assets (continued)

The Electronics Recycling and Management Fund is to be used for the purposes set out in the Regulation (Note 1).

Household Hazardous Waste Program

All the net assets are externally restricted as a program reserve as stipulated in the grant agreement between the Authority and Alberta Environment and are maintained for purposes of carrying out the program as set out in that agreement. Any excess or shortfall of government funding is repayable to or due from Alberta Environment and accordingly is recorded as an expense or revenue in the year. At March 31, 2007 accounts payable and accrued liabilities included \$176,222 repayable to Alberta Environment.

Note 10 Commitments

The Authority has leased office space to October 31, 2008. The approximate minimum payments required under the lease agreements in future years are as follows:

2008	\$	167,528
2009		97,818
	\$	<u>265,346</u>

Rental expense for the year is allocated to each of the three programs under the Authority's administration based on a formula prescribed by the Board of Directors.

Tire Recycling Alberta

The Authority has a contract with a private sector company effective March 1, 2004. Payments by the Authority under the contract are based on medium and heavy truck tires processed and sold as recycled rubber crumb. This contract is for a term of six years. The commitment under this contract is \$302 per tonne of medium or heavy truck tires processed.

Note 11 Financial Instruments

Fair value

The carrying values of cash, short term investments, accounts receivable, payable to recyclers, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments.

Credit risk

Credit risk arises from the potential that tire or electronics registrants will fail to perform their respective obligations. The Authority is exposed to credit risk from these registrants. However, the Authority has a large number of registrants, which minimizes the concentration of credit risk.

Currency risk and interest rate risk

The Authority has investments that are denominated in foreign currencies and is therefore exposed to currency risk. The Authority's earnings are exposed to financial risk that arises from fluctuations in interest rates and foreign exchange rates and the degree of the volatility of these rates. As at March 31, 2007 foreign denominated investments amounted to \$2,852,527 (5.9%) of the Authority's total short term and long term investments. The Authority does not use derivative or other financial instruments to reduce its exposure to interest and foreign currency risk.

Notes to the Financial Statements

March 31, 2007

Note 12 Inter-fund balances

The Authority incurs common expenses that are attributable to the various programs that the Authority administers. For administrative purposes these shared expenses are allocated to each program. Allocation of shared expenses is performed monthly using allocation formulas as prescribed by the board of directors.

At year-end, the following amounts are included in accounts receivable and accounts payable and accrued liabilities of the programs administered by the Authority:

	Accounts Receivable	Accounts Payable
<i>Tire Recycling Alberta</i>		
Electronics Recycling Alberta	\$ 16,252	\$ -
Household Hazardous Waste Program	-	58,327
<i>Electronics Recycling Alberta</i>		
Tire Recycling Alberta	\$ -	\$ 16,252
<i>Household Hazardous Waste Program</i>		
Tire Recycling Alberta	\$ 58,327	\$ -

Note 13 Subsequent event

Household Hazardous Waste Program

Effective April 1, 2007 the Authority entered into a twelve-month contract extension with the Province of Alberta to administer the Household Hazardous Waste Program. Pursuant to the terms of the contract, the Authority has requested funding of \$1,075,632 from the Province of Alberta subsequent to year-end.

Note 14 Budget information

The Authority prepares annual operating budgets for each of the recycling programs (Note 1). Budget information, where prepared, is included for information purposes and is unaudited.

Combined Statement of Financial Position – Schedule 1

March 31, 2007

	2007	2006
ASSETS		
Current assets:		
Cash	\$ 6,532,571	\$ 8,438,838
Short term investments (Note 4)	30,645,684	9,603,583
Accounts receivable	4,455,026	3,988,072
Prepaid expenses	24,337	24,157
	<u>41,657,618</u>	<u>22,054,650</u>
Investments (Note 5)	17,651,024	17,761,379
Property and equipment (Note 6)	201,798	209,205
	<u>\$ 59,510,440</u>	<u>\$ 40,025,234</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Payable to recyclers	1,487,639	1,622,286
Accounts payable and accrued liabilities (Note 9)	1,695,626	1,592,635
	<u>3,183,265</u>	<u>3,214,921</u>
Externally restricted net assets (Note 9):		
Allocated:		
Operating reserve	28,732,867	19,369,542
Invested in property and equipment	201,798	209,205
Unallocated:		
Recycling and Management Fund	27,392,510	17,231,566
	<u>56,327,175</u>	<u>36,810,313</u>
	<u>\$ 59,510,440</u>	<u>\$ 40,025,234</u>
Basis of presentation (Note 2)		
Commitments (Note 10)		
<i>See accompanying notes to financial statements</i>		

Combined Statement of Revenue and Expenditures – Schedule 1(a)

March 31, 2007

	2007 (Note 2)	2006 (Note 2)
Recycling revenues:		
Advance disposal surcharges	\$ 43,833,993	\$ 38,806,242
Interest	62,948	35,023
Government grants	1,167,142	894,884
Total recycling revenues	45,064,083	39,736,149
Less:		
Surcharge compliance program delivery	527,569	917,331
Bad debts	34,740	6,643
Gross contribution	44,501,774	38,812,175
Recycling expenditures		
Recycling incentive programs	17,616,849	14,462,698
Recycling program delivery	1,278,932	1,852,166
Broker contracts	736,798	-
Transportation contracts	121,620	-
Total recycling expenditures	19,754,199	16,314,864
Recycling development and other		
Recycling development programs	1,516,583	1,705,569
Public information	1,904,182	2,281,878
Scrap tire issues management	1,716,392	3,205,440
Information technology	49,721	-
Program delivery	242,201	353,533
Total recycling development and other	5,429,079	7,546,420
Administration		
Salaries and related expenses	1,223,613	651,492
General administration expenses	645,951	571,571
Total Administration expenditures	1,869,564	1,223,063
Total Program Expenditures	27,052,842	25,084,347
Revenue net of program expenditures	17,448,932	13,727,828
Fund investment		
Investment income	2,416,026	3,673,434
Less:		
Fund investment program delivery	(76,150)	(55,885)
Investments managers and related	(95,724)	(116,379)
Net investment income	2,244,152	3,501,170
Excess of revenues over expenditures before: (Repayment)/recovery of additional funding (Note 9)	19,693,084 (176,222)	17,228,998 -
Excess of revenue over expenditures	\$ 19,516,862	\$ 17,228,998

Basis of presentation (Note 2)

Combined Statement of Changes in Net Assets – Schedule 1(b)

March 31, 2007

	2007				2006
	Property and equipment	Operating Reserve	Recycling and Management Fund	Total	Total
		(Note 9)	(Note 9)	(Note 2)	(Note 2)
Net assets, beginning of year	\$ 209,205	\$ 19,369,542	\$ 17,231,566	\$ 36,810,313	\$ 19,581,315
Excess of revenues over expenditures	-	-	19,516,862	19,516,862	17,228,998
Amortization of property and equipment	(96,105)	-	96,105	-	-
Transfers (Note 9)	-	9,363,325	(9,363,325)	-	-
Investment in property and equipment	88,698	-	(88,698)	-	-
Net assets, end of year	<u>\$ 201,798</u>	<u>\$ 28,732,867</u>	<u>\$ 27,392,510</u>	<u>\$ 56,327,175</u>	<u>\$ 36,810,313</u>

Basis of presentation (Note 2)

Combined Statement of Cash Flow – Schedule 1(c)

March 31, 2007

	2007	2006
Cash flow from operating activities:		
Advance disposal surcharges collected	\$ 45,064,083	\$ 38,784,803
Surcharge collection costs	(562,309)	(1,375,401)
Processing	(25,762,362)	(23,415,204)
Administration	(1,869,564)	(1,213,005)
	<u>16,869,848</u>	<u>12,781,193</u>
Cash flow (used in) from investing activities:		
Investment income	2,416,026	3,674,343
Investment management costs	(171,874)	(172,264)
Purchases of investments	(21,510,356)	(9,000,000)
Acquisition of property and equipment	(88,698)	(78,021)
Net proceeds on sale of investments	578,787	(2,064,106)
	<u>(18,776,115)</u>	<u>(3,511,836)</u>
(Decrease) Increase in cash position	(1,906,267)	9,269,357
Cash (Bank Indebtedness), beginning of year	8,438,838	(830,519)
Cash, end of year	<u>\$ 6,532,571</u>	<u>\$ 8,438,838</u>

Basis of presentation (Note 2)

Alberta
recycling
MANAGEMENT AUTHORITY



tires/electronics

Tire Recycling Alberta

Statement of Revenues and Expenditures – Schedule 2(a)

March 31, 2007

	2007 Budget Unaudited	2007 Actual	2006 Actual
Recycling revenues:			
Advance disposal surcharges	\$ 14,814,652	\$ 16,702,638	\$ 15,431,459
Interest	29,500	27,111	18,365
Total recycling revenues	14,844,152	16,729,749	15,449,824
Less:			
Surcharge compliance program delivery	311,050	174,954	226,309
Bad debts	14,815	4,593	6,643
Gross contribution	14,518,287	16,550,202	15,216,872
Recycling expenditures			
Recycling incentive programs:			
Processing	12,628,475	12,136,393	10,031,293
Recycling program delivery	522,114	367,786	730,643
Total recycling expenditures	13,150,589	12,504,179	10,761,936
Recycling development and other			
Recycling development programs	1,690,000	1,366,527	1,705,569
Public information	1,066,000	767,098	1,245,270
Scrap tire issues management	1,538,400	1,615,862	3,205,440
Information technology	50,000	24,355	-
Program delivery	316,556	138,858	353,533
Total recycling development and other	4,660,956	3,912,700	6,509,812
Administration			
Salaries and related expenses	648,956	574,377	273,044
General administration expenses	474,803	305,195	284,293
Total administration expenditures	1,123,759	879,572	557,337
Total program expenditures	18,935,304	17,296,451	17,829,085
Revenue net of program expenditures	(4,417,017)	(746,249)	(2,612,213)
Fund investment			
Investment income	788,000	1,448,135	3,578,029
Less:			
Fund investment program delivery	(23,703)	(26,897)	(55,885)
Investment managers and related	(57,000)	(95,724)	(116,379)
Net investment income	707,297	1,325,514	3,405,765
Excess of revenues over expenditures	\$ (3,709,720)	\$ 579,265	\$ 793,552

Tire Recycling Alberta

Statement of Changes in Net Assets – Schedule 2(b)

March 31, 2007

	2007				2006
	Property and Equipment	Operating Reserve	Recycling and Management Fund	Total	Total
		(Note 9)	(Note 9)		
Net assets, beginning of year	\$ 209,205	\$ 13,648,121	\$ 6,969,420	\$ 20,826,746	\$ 20,033,194
Excess of revenues over expenditures	-	-	579,265	579,265	793,552
Amortization of property and equipment	(96,105)	-	45,955	(50,150)	-
Transfers (Note 9)			50,150	50,150	
Investment in property and equipment	88,698	-	(88,698)	-	-
Net assets, end of year	<u>\$ 201,798</u>	<u>\$ 13,648,121</u>	<u>\$ 7,556,092</u>	<u>\$ 21,406,011</u>	<u>\$ 20,826,746</u>

Tire Recycling Alberta

Statement of Cash Flow – Schedule 2(c)

March 31, 2007

	2007	2006
Cash flow used in operating activities:		
Advance disposal surcharges collected	\$ 16,729,749	\$ 15,096,451
Surcharge collection costs	(179,547)	(684,379)
Scrap tire processing	(16,509,358)	(17,153,818)
Administration	(879,572)	(651,955)
	<u>(838,728)</u>	<u>(3,393,701)</u>
Cash flow from investing activities:		
Investment income	1,448,135	3,578,029
Investment management costs	(122,621)	(172,264)
Purchase of investments	(349,548)	-
Acquisition of property and equipment	(88,698)	(78,201)
Net proceeds on sale of investments	578,787	2,064,286
	<u>1,466,055</u>	<u>5,391,850</u>
Increase in cash position	627,327	1,998,149
Cash, beginning of year	3,055,591	1,057,442
Cash, end of year	<u>\$ 3,682,918</u>	<u>\$ 3,055,591</u>

Alberta
recycling
MANAGEMENT AUTHORITY



Alberta Recycling Management Authority
Electronics Recycling Alberta
Statement of Financial Position – Schedule 3
 March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 2,658,709	\$ 5,323,168
Short term investments (Note 4)	30,160,808	9,000,000
Accounts receivable (Note 12)	<u>3,086,876</u>	<u>2,465,162</u>
	35,906,393	16,788,330
 Investments (Note 5)	 -	 -
	<u>\$ 35,906,393</u>	<u>\$ 16,788,330</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Payable to recyclers	\$ 502,302	\$ 428,287
Accounts payable and accrued liabilities (Note 12)	<u>482,927</u>	<u>367,817</u>
	985,229	796,104
 Externally restricted net assets (Note 9)		
Allocated:		
Operating reserve	15,084,746	5,721,421
Unallocated:		
Recycling and Management Fund	<u>19,836,418</u>	<u>10,270,805</u>
	34,921,162	15,992,226
	<u>\$ 35,906,393</u>	<u>\$ 16,788,330</u>
 Commitments (Note 10)		
<i>See accompanying notes to financial statements</i>		

Alberta Recycling Management Authority
Electronics Recycling Alberta

Statement of Revenue and Expenditures – Schedule 3(a)

March 31, 2007

	2007 Budget Unaudited	2007 Actual	2006 Actual
Recycling revenues:			
Advance disposal surcharges	\$ 21,445,051	\$ 27,131,355	\$ 23,374,783
Interest	21,600	28,159	10,589
Total recycling revenues	21,466,651	27,159,514	23,385,372
Less:			
Surcharge compliance program delivery	838,062	352,615	691,022
Bad debts	171,560	30,147	-
Gross contribution	20,457,029	26,776,752	22,694,350
Recycling expenditures			
Recycling incentive programs	12,188,861	5,480,456	3,630,088
Recycling program delivery	1,022,188	911,146	1,121,523
Total recycling expenditures	13,211,049	6,391,602	4,751,611
Recycling development and other			
Research and development	625,000	150,056	-
Public information	1,650,000	1,137,084	1,036,608
Recycling development	2,200,000	100,530	-
Information technology	100,000	25,366	-
Program delivery	158,872	103,343	-
Total recycling development and other	4,733,872	1,516,379	1,036,608
Administration			
Salaries and related expenses	590,032	547,270	274,955
General administration expenses	475,802	311,201	270,308
Administration expenditures	1,065,834	858,471	545,263
Total Program Expenditures	19,010,755	8,766,452	6,333,482
Revenue net of program expenditures	1,446,274	18,010,300	16,360,868
Fund investment			
Investment income	653,762	967,891	95,405
Less:			
Fund investment program delivery	(49,921)	(49,253)	-
Investment managers and related	(35,000)	-	-
Net investment income	568,841	918,638	-
Excess of revenues over expenditures	\$ 2,015,115	\$ 18,928,938	\$ 16,456,273

Alberta Recycling Management Authority
Electronics Recycling Alberta

Statement of Changes in Net Assets – Schedule 3(b)

March 31, 2007

			2007		
	Operating Reserve		Recycling and Management Fund	Total	2006 Total
	(Note 9)		(Note 9)		
Net assets, beginning of year	\$ 5,721,421	\$	10,270,805	\$ 15,992,226	\$ (464,047)
Excess of revenue over expenditures	-		18,928,938	18,928,938	16,456,273
Amortization of property and equipment	-		44,384	44,384	41,324
Transfers (Note 9)	9,363,325		(9,407,709)	(44,384)	(41,324)
Net assets, end of year	\$ <u>15,084,746</u>	\$	<u>19,836,418</u>	\$ <u>34,921,164</u>	\$ <u>15,992,226</u>

Electronics Recycling Alberta

Statement of Cash Flow – Schedule 3(c)

March 31, 2007

	2007	2006
Cash flow from operating activities:		
Advance disposal surcharges collected	\$ 27,159,514	\$ 22,787,399
Surcharge collection costs	(382,762)	(691,022)
Electronics Waste Processing	(8,340,568)	(5,460,069)
Administration	(858,473)	(457,279)
	<u>17,577,713</u>	<u>16,179,029</u>
Cash flow (used in) from investing activities:		
Investment income	967,891	96,314
Investment management costs	(49,253)	-
Purchase of investments	(21,160,808)	(9,000,000)
	<u>(20,242,170)</u>	<u>(8,903,686)</u>
(Decrease) Increase in cash position	(2,664,459)	7,275,343
Cash (Bank Indebtedness), beginning of year	5,323,168	(1,952,175)
Cash, end of year	\$ <u>2,658,709</u>	\$ <u>5,323,168</u>

Alberta Recycling Management Authority
Household Hazardous Waste Program
Statement of Financial Position – Schedule 4
March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 190,944	\$ 60,079
Accounts receivable (Note 12)	58,327	-
	<u>249,271</u>	<u>60,079</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 249,271	\$ 68,738
Externally restricted net assets (Note 9):		
Deficit	-	(8,659)
	<u>\$ 249,271</u>	<u>\$ 60,079</u>
Commitments (Note 10)		
<i>See accompanying notes to financial statements</i>		

Household Hazardous Waste Program

Statement of Revenues and Expenditures and Changes in Net Assets – Schedule 4(a)

March 31, 2007

	2007 Budget Unaudited	2007 Actual	2006 Actual
Revenues:			
Government grants	\$ 1,167,142	\$ 1,167,142	\$ 894,884
Interest		7,678	6,069
	<u>1,167,142</u>	<u>1,174,820</u>	<u>900,953</u>
Recycling expenditures			
Transportation and handing	124,549	736,798	111,323
Processing	<u>923,703</u>	<u>121,620</u>	<u>689,994</u>
Total recycling expenditures	<u>1,048,252</u>	<u>858,418</u>	<u>801,317</u>
Administration			
Salaries and related expenses	89,447	101,966	103,493
General administration expenses	<u>29,443</u>	<u>29,555</u>	<u>16,970</u>
Total administration expenditures	<u>118,890</u>	<u>131,521</u>	<u>120,463</u>
Total program expenditures	<u>1,167,142</u>	<u>989,939</u>	<u>921,780</u>
Excess of revenues over (under) expenditures before:	-	184,881	(20,827)
(Repayment)/recovery of additional funding (Note 9)	<u>-</u>	<u>(176,222)</u>	<u>-</u>
Excess of revenues over expenditures	-	8,659	(20,827)
Net assets (deficiency), beginning of year	<u>-</u>	<u>(8,659)</u>	<u>12,168</u>
Net deficiency, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,659)</u>

Household Hazardous Waste Program

Statement of Cash flow – Schedule 4(b)

March 31, 2007

	2007	2006
Cash flow from (used in) operating activities:		
Grant received	\$ 1,174,820	\$ 894,884
Waste collection and processing	(912,434)	(801,317)
Administration	<u>(131,521)</u>	<u>(103,771)</u>
	130,865	(10,204)
Cash flow from investing activity:		
Investment income	<u>-</u>	<u>6,069</u>
Increase (decrease) in cash position	130,865	(4,135)
Cash, beginning of year	<u>60,079</u>	<u>64,214</u>
Cash, end of year	<u>\$ 190,944</u>	<u>\$ 60,079</u>



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The environmental savings derived from the use of Mohawk Options (100% PCW) produced at a wind-generated paper mill are;

- 6.5 trees preserved for the future,
- 18.8 lbs waterborne waste not created,
- 2764 gallons wastewater flow saved,
- 306 lbs solid waste not generated,
- 515 lbs net greenhouse gases prevented,
- 4,609,684 BTUs energy not consumed

Savings from the use of emission-free wind generated electricity;
303 lbs air emissions not generated,

Displaces this amount of fossil fuel;
744 cubic feet natural gas unused,

In other words your savings from the use of wind-generated electricity are equivalent to;
not driving 339 miles,
OR
planting 21 trees